<u>SPECIAL REPORT</u>

World Unmanufactured Tobacco Trade

Exports:

For 2000, world unmanufactured tobacco exports are projected to reach nearly 2.0 million metric tons, down 6 percent from a year ago. The world's top leaf exporting nations are: the European Union, Brazil, Zimbabwe, the United States, and Malawi. Of the top leaf exporting nations, a marginal increase in exports is forecast for Brazil. Exports are forecast lower for the European Union, Zimbabwe, the United States, and Malawi.

<u>The United States</u>: Total U.S. leaf tobacco exports were at record lows in 1999. The United States exported 189,379 metic tons of unmanufactured tobacco in 1999, valued at $1.3 billion dollars. This represents a nearly 11- percent decrease in quantity and a 7-decrease in value when compared to 1998. Leaf exports for 2000 are expected drop about 4 percent. This drop in exports is primarily due to competitive prices on the world market for flue-cured and burley tobacco, and to quota cuts which decreased from 662.2 million pounds in 1999 to 543 million pounds in 2000. The United States' leading unmanufactured tobacco export markets in 1999 were: the European Union, Japan, Turkey, the Russian Federation, Switzerland, and the Republic of Korea.

<u>Central America and the Caribbean:</u> Leaf exports are projected to increase marginally in the region because of increased leaf availability in Guatemala and the Dominican Republic. Leaf production in Guatemala rose 10 percent in 2000 and up slightly in the Dominican Republic. Guatemala's leaf exports are forecast to total 9,671 metric tons in 2000, up nearly 7 percent from 1999 as a result of increased sales in foreign markets. In the Dominican Republic, leaf exports increased by 11 percent in 1999 and are estimated to increase by 11 percent in 2000. Most of the Dominican Republic leaf exports are cigar wrapper type tobaccos. The demand for high quality wrapper tobaccos remains fairly strong internationally.

<u>South America</u>: South America exports are projected to remain relatively constant in 2000 at 439,686 metric tons. Brazilian exports totaled 343,000 metric tons in 1999, up 14 percent from 1998. Much of this rise was due to an increase in the amount of leaf available for export and lower export prices which have made Brazilian leaf more competitive on the international market. Flue-cured exports, which account for about 80 percent of Brazil's total leaf trade are forecast to reach about 254,900 tons this year. Argentina's leaf exports are expected to be at record levels in 2000. Argentine tobacco exports in 2000 are forecast at 66,000 tons, the second highest level, after last year's record of 71,750 tons. Relatively high output, stable domestic demand and growing imports resulted in fairly good volumes for export. Dealers and cooperatives are reported to be paying cheaper prices for leaf tobacco allowing them to market products faster.

<u>The European Union:</u> Leaf exports are forecast to reach 398,333 tons, down slightly in 2000.

Leaf exports in 1999 increased by 14 percent or totaled 404,648 tons as a result of increased leaf exports in the UK, Spain, and Germany. Leaf exports from the UK in 1999 doubled due to increased shipments to Germany. Leaf shipments from Germany to Central and Eastern Europe have increased in recent years.

Eastern Europe and the Former Soviet Union: The most significant increase in leaf exports is in the former Yugoslavian Republic of Serbia/Montenegro. Serbia's leaf exports are forecast to marginally increase to 58,490 tons in 2000.

Africa and the Middle East: In Africa and the Middle East, leaf exports dropped dramatically as a result of economic and social turmoil in selective countries and declining cigarette production in the western world. Turkey's leaf exports are forecast to drop by nearly 35 percent in 2000 to 75,500 tons. In Zimbabwe, leaf exports are expected to drop from 215,744 metric in 1999 to 195,977 tons in 2000. This 9-percent drop is due to farm invasions prohibiting production, and to fuel, electricity, and finance shortages. Leaf exports in Malawi are estimated to drop by 6 percent or reach 101,250 tons as a result of producers switching from tobacco to other crops.

Asia: Leaf exports reached 317,463 tons, up 23 percent in 1999 but are estimated to drop by 14 percent in 2000. Optimum growing seasons in the region coupled with favorable exchange rates attributed to the 23-percent increase in 1999. However, for 2000, the drop in exports is attributed to stagnant demand in importing countries and increasing production in competitor countries. Indonesian leaf exports increased from 16,639 metric ton in 1998 to 22,206 metric ton in 1999 because of both the quantity and the quality of leaf. For 2000, leaf exports are estimated to drop to average levels of 15,700 tons. Thai leaf exports are forecasted at 100,000 tons in 2000, down from an estimated 120,000 in 1999. The decline is attributed to stagnant demand in importing countries, increased production in competitor countries, and a cut in the domestic leaf quota. China is increasingly interested in entering the export market in order to balance their stock levels. Leaf exports in China, the world's largest producer, reached 113,259 metric tons in 1999, up almost 23 percent. However, exports for 2000 are expected to drop to 96,100 metric tons.

Imports:

World leaf imports are forecast at nearly 2.0 million metric tons in 1999 up from 1.9 million tons in 1998. For 2000, world leaf imports are expected to slightly increase to 2.0 million metric tons. The world's leading leaf importing countries are the European Union, the United States, Russia, Japan, Egypt, Poland, and Turkey.

The United States: Imports of unmanufactured tobacco are forecast to reach 220,000 tons in 2000, down from 254,315 tons in 1999. Much of the decline in imports is due to high stock levels in the United States and a decline in cigarette production due to lower domestic consumption and exports. Flue-cured, burley and oriental tobaccos combined account for nearly 68 percent of U.S. unmanufactured tobacco imports. The leading suppliers to the United States of leaf tobacco are Turkey, Brazil, Argentina, Malawi, and the European Union.

The European Union is the world's leading importer of unmanufactured tobacco. Germany, the United Kingdom and the Netherlands combined account for almost 65 percent of the EU's leaf imports. Germany's leaf imports are forecast to total 246,510 tons in 2000, down 5 percent from 1999. The United Kingdom's leaf imports are forecast to total 135,500 tons this year, down slightly from 137,183 tons imported in 1999 as importers attempt to utilize stocks and reduce carry-over tobacco, and manufacturers decrease the production of tobacco products.

Eastern Europe and the Former Soviet Union: Leaf imports to the Eastern European region dropped by 8 percent in 2000 but leaf imports to the former Soviet Union region rose 3 percent in 2000. Russian leaf imports are forecast to total about 275,000 tons in 2000, up from 264,670 tons a year ago. Demand for imported leaf increased during 2000 as a result of consumer preferences for domestically produce cigarettes which were more economical than imported brands. Cigarette production rose 4 percent in 2000.

Africa and the Middle East: Leaf imports to the African region are expected to remain constant in 2000 but leaf imports to the Middle Eastern region are expected to rise significantly. Turkey's leaf imports are forecast to increase to 62,500 tons in 2000, up from 45,999 in 1999. Higher imports during 2000 are attributed to stock building efforts by Turkish manufacturers and accumulated shipments of U.S. leaf tobacco by TEKEL. Egyptian leaf imports declined 9 percent in 1999, but are projected to increase by 10 percent or 55,000 tons in 2000 in order to replenish leaf stocks which are at critical lows.

Asia: leaf imports are forecast higher for Japan, the Philippines and Malaysia. The Philippines is forecast to import 31,000 tons of leaf tobacco this year, up from 26,509 tons last year. Sources indicate that this is due to efforts by the industry to replenish stock levels which have fallen in recent years. Japanese imports are forecast to increase to 104,000 tons in 2000, up from 98,920 tons in 1999. Leaf imports to Japan are expected to increase as domestic production declines and cigarette production continues to increase.

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